

## POLICY

### Responsible Investing

<b>Policy owner</b>	Chief Executive Officer
<b>Effective date</b>	December 12, 2024
<b>Next renewal date</b>	December 11, 2026
<b>Frequency of review</b>	Every 2 years

# Contents

- 1. Purpose..... 3
- 2. Scope ..... 3
- 3. Definitions..... 3
- 4. Policy Objectives..... 4
  - 4.1. Investment Beliefs..... 4
  - 4.2. Policy Objectives..... 4
- 5. General Policy Statements..... 4
  - 5.1. RI Management and Oversight..... 5
  - 5.2. ESG Integration..... 5
  - 5.3. Stewardship ..... 5
  - 5.4. Collaboration..... 6
- 6. Exceptions..... 6
- 7. Monitoring, Reporting and Compliance ..... 6
- 8. Related Policies and Other Documents ..... 7
- 9. Approval ..... 7

## 1. Purpose

The purpose of this Responsible Investing Policy ("Policy") is to outline UPP's commitments and approach to incorporating environmental, social, and corporate governance ("ESG") considerations in investment management and stewardship activities in a consistent and comprehensive manner.

The University Pension Plan Ontario ("UPP") serves pension plan members and retirees of participating universities and organizations from across Ontario's university sector. Informed by research and evidence, we believe that responsible investing ("RI") supports risk management and value creation and helps UPP provide stable retirement benefits at a reasonable cost for members, now and in the future.

It is our duty as stewards of members' capital to consider and manage material ESG risks and opportunities, to be active asset owners, and to take into account stakeholder interests and investment impacts when conducting our investment management activities.

The application of this Policy and integration of responsible investing considerations must be consistent with all other policies and legal obligations, including UPP's fiduciary duty to beneficiaries.

## 2. Scope

This Policy applies to all UPP Personnel and Trustees and covers all invested assets and investment activities. The approach varies depending on UPP's degree of influence over investment strategies and decisions.

UPP also addresses material ESG factors and best practices in UPP's own management and operations. However, these activities are out of the scope of this Policy.

## 3. Definitions

**ESG Integration:** Ongoing consideration of Environmental, Social and, Governance factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns. Examples of ESG factors that may be considered by UPP include, but are not limited to, climate change, inequality, human and labour rights, equity, diversity and inclusion, nature and natural systems, Indigenous rights and reconciliation, resource use and efficiency, executive compensation, and shareholder rights.

**Personnel:** All UPP employees, co-op students and interns, contractors, and anyone else who works on behalf of the organization.

**Responsible Investing (RI):** The integration of ESG considerations into investment management processes and stewardship practices, focused on those factors that could have a material impact on financial performance and the environmental, social, and financial systems upon which capital markets rely.

**Stewardship:** The use of investor rights and influence to protect and enhance overall long-term value for Members and beneficiaries, including the common economic, social, and environmental assets on which their interests depend (also referred to as "**active ownership**").

## 4. Policy Objectives

### 4.1. Investment Beliefs

This Policy is informed by UPP's [Investment Beliefs](#), including the following:

- As a long-term investor, UPP has a responsibility to promote the health of the capital markets and the financial, social, and environmental systems upon which capital markets rely.
- Creating value and managing risk involve exercising UPP's voice to influence outcomes related to material issues through active ownership, policy advocacy, and collaboration with other investors and stakeholders – all of which must be approached with the same intention and rigour as selecting investments.
- UPP embraces partnership as a foundation for enhanced performance and impact.
- Transparency engenders trust. Our investment of members' pension earnings has bearing on their retirement security; they have a right to know how we approach and perform that responsibility.

### 4.2. Policy Objectives

In recognition of our Investment Beliefs, the key objectives of this policy are to outline our commitments to:

- Establish RI management and oversight responsibilities;
- Integrate ESG considerations into investment analysis and decisions;
- Be active owners and engage in ESG stewardship activities; and
- Report on RI practices and ESG performance publicly and to plan members.

## 5. General Policy Statements

Our responsible investing approach takes into account industry practices and the materiality of ESG factors with consideration of asset class, geography, and other relevant criteria.

In addition, UPP sets out commitments in relation to material ESG topics, including:

- Climate change: UPP establishes, implements, and reports progress against its [Climate Action Plan](#).
- Human Rights: UPP respects internationally recognized human rights and seeks to identify and address risks related to adverse human rights impacts contributed to or directly linked to our investments.
- Equity, Diversity, Inclusion, and Reconciliation: UPP promotes practices that support diversity, equity, inclusion, and reconciliation among investee companies and investment partners.
- Inequality: UPP exercises active ownership to support the mitigation of inequality and considers ESG factors related to inequality in our investment decisions.

## 5.1. RI Management and Oversight

UPP establishes governance structures to support the implementation and oversight of responsible investing activities, as described below.

1. The Board of Trustees oversees the strategic direction of the RI program, as supported by the Investment Committee.
2. The Management Investment Committee oversees the application of RI throughout UPP's investment management activities.
3. Investment teams integrate ESG considerations in all stages of the investment lifecycle.
4. The RI team sets the RI strategy and targets and identifies focus areas and initiatives. In collaboration with other UPP teams such as investment, investment finance and operational due diligence, the RI team supports the integration of ESG considerations in investment processes and decisions and manages RI stewardship and reporting activities.

## 5.2. ESG Integration

UPP considers ESG factors in investment screening, due diligence, and asset management and monitoring activities, as described below.

1. UPP may avoid financial and reputational risks related to ESG issues through the effective exclusion and selling of specific entities, as outlined in the Investment Exclusion Policy.
2. To support the integration of ESG considerations in investment decisions, Investment teams utilize a variety of internal and external resources including, but not limited to training, thematic and asset class specific framework, and third-party data to evaluate holdings and investment opportunities and to measure ESG performance.
3. The selection of new investments is informed by an evaluation of material ESG factors relevant to the type of strategy, asset class, sector and geographical exposure.
4. When appointing new investment partners, UPP engages those who have demonstrated robust RI practices or a commitment to improve them. We consider the investment strategies employed by the investment partner and recognize that different strategies have inherently different RI and ESG potential.
5. UPP seeks to incorporate RI requirements in alignment with this Policy into investment agreements.
6. UPP regularly engages with and monitors our investment partners' RI practices and encourages their improvement and reporting in alignment with leading practices.

## 5.3. Stewardship

UPP conducts stewardship to align the interests of issuers and financial systems with long-term value creation for plan members, as described below.

1. The Responsible Investing team selects focus areas for stewardship based on consultation with the Investment team and consideration of systemic and UPP-specific factors.

2. UPP conducts outcome-focused engagement. We define goals for our engagement in focus areas and adapt our approach to engagement as needed to advance these goals. We engage with issuers bilaterally, collaboratively with peers, or through an engagement service provider.
3. UPP votes all the ballots for which we can exercise voting rights. We view proxy voting and engagement as interconnected activities. Our voting decisions are informed by our stewardship priorities and specific engagement goals, and we may engage with issuers on specific vote items.
4. UPP contributes to the development of public policy and encourages other Canadian financial services organizations to promote the health of the capital markets and the financial, social, and environmental systems on which capital markets rely. We respond to opportunities for input where appropriate and proactively engage with decisionmakers, both individually and collectively. Our policy priorities and means of engagement are determined by our stewardship focus areas and potential for impact.

#### **5.4. Collaboration**

UPP seeks to achieve greater influence through collaboration with other investors and stakeholders such as industry groups, policymakers, standard-setters, the academic community, and civil society. We join and actively participate in collaborative initiatives aligned with our priorities to strengthen and extend the reach of our engagement and advance industry practices and market-wide policy. At all times, we retain independence in all decision-making, including in our investment decisions.

## **6. Exceptions**

There are no exceptions to this Policy.

## **7. Monitoring, Reporting and Compliance**

UPP communicates this Policy to all personnel and investment partners.

UPP's Chief Executive Officer and RI team report to the Board of Trustees on relevant RI matters on an ongoing basis, including alignment with this Policy, and at a minimum, annually.

At least annually, UPP provides information to our plan members and the general public on our RI approach, initiatives, and progress toward our commitments. Our disclosures are informed by the International Sustainability Standards Board ("ISSB") standards.

We are committed to continuously improving our reporting to promote transparency and open dialogue with our members. UPP members are welcome to send their feedback on this Policy and our approach to RI as well as research and other informative materials to [myupp@universitypensionplan.ca](mailto:myupp@universitypensionplan.ca).

## 8. Related Policies and Other Documents

- [Climate Action Plan](#)
- [Investment Exclusion Policy](#)
- [Proxy Voting Policy](#)
- [Statement of Investment Beliefs](#)
- [Statement of Investment Policies and Procedures](#)
- [Stewardship Framework](#)

## 9. Approval

This Policy is reviewed by the Board of Trustees at least every 3 years, or as required based on changes to legislation and regulations and UPP's investment activities.

<b>Version</b>	1.2
<b>Reviewer</b>	Investment Committee of the Board of Trustees
<b>Review Date</b>	November 26, 2024
<b>Approver</b>	Board of Trustees
<b>Approval Date</b>	December 12, 2024